

Home Improvement Loan

The South St. Paul Economic Development Authority is making funds available for homeowners to make improvements to their properties. Center for Energy and Environment shall serve as the administrator for the South St. Paul Loan Programs and will secure the most beneficial financing based on the borrower's needs independent of the funding source.

Interest Rate: 3.875% fixed

Amortization Type: Amortizing (Monthly Payments Required)

Loan Amount: Up to \$25,000

Total Project Cost: The borrower must have sufficient funds necessary to cover the cost of the entire project (as outlined in the bid(s)).

Loan term: Up to 15 years. The loan is 100% due when the borrower sells, transfers ownership, cash-out refinances or no longer occupies the property as the borrower's primary residence.

Eligible Properties: 1-4 unit owner-occupied properties located within the geographical boundaries of the City of South St. Paul. Townhomes and Condominiums are eligible.

Ineligible Properties: Dwellings that are more than 4 units, cooperatives, properties held in a Trust and properties used for commercial purposes.

Eligible Borrowers: All borrowers must be legal residents of the United States.

Ineligible Borrowers: Including but not limited to: - Foreign Nationals, Non-Occupant Co-Borrowers, business entities and Properties held in the name of a Trust.

Ownership/Occupancy: Owner-occupied only.

Loan - to - Value Ratio: The ratio of all loans secured by the property, including the new loan, should not exceed 110% of the property value. Half of the improvement value may be added to the initial property value.

Income Limit: 120% AMI based on family size. Income shall be determined by the adjusted gross income from the most recent Federal Tax Return. If a tax return is not required to be filed by the borrower(s) the income will be based on projected income for the next 12 months.

Debt - to - Income Ratio: 50%

Credit Requirements: 1) All mortgage payments must be current and reflect no 30-day late payments history in the past 12 month period (without reasonable explanation) 2) All real estate taxes must be

current. 3) No outstanding judgements or collections. 4) Chapter 7 Bankruptcy must have been discharged for at least 18 months prior to loan closing. Chapter 13 Bankruptcy does not need to be discharged, but needs to have no late payments and approval by the Trustee. 5) The redemption period on prior foreclosures must have occurred at least 18 months prior to the loan application date. 6) Generally, no more than two 60-day late payments on credit report (without reasonable explanation) 7) No defaulted government loans.

Multiple Loans per Property: More than one loan per property is allowed, however, the outstanding balance(s) cannot exceed \$25,000.

Eligible Use of Funds: Most permanent exterior or interior projects, including but not limited to roofing, siding, windows/doors, insulation, solar, HVAC, electrical, plumbing, garage repair-replacement or new construction, interior remodeling, driveways, sidewalks/steps, painting, fences and permanent landscaping.

Contractors must be properly licensed, and permits must be obtained when required. Assessments from an Association are NOT eligible.

Ineligible Use of Funds: Payment for work initiated prior to the loan being approved and closed, unless due to emergency. Recreation or luxury projects (pools, lawn sprinkler systems, playground equipment, saunas, whirlpools, etc.), furniture, non-permanent appliances, and funds for working capital, debt service, homeowner labor or refinancing existing debts are NOT allowed. CEE will refer to the City of South St. Paul whenever eligibility of a project is questionable.

Bids: A minimum of 1 bid is required, however two bids are encouraged. All contractors must be properly licensed.

Sweat Equity / Homeowner Labor: Work may be performed by property owners on a “sweat equity” basis. Loan funds may be used only for the purchase of materials, including rental of tools and equipment. Loan funds cannot be used to compensate for labor.

Remodeling Advisor Visit (RAV)/Property Inspection (PI): The Remodeling Advisor Visit provides rehabilitation and/or remodeling advice and to determine eligible improvements. The intent is to help residents improve their property by providing technical assistance before and during the bidding and construction process. All residents are eligible for this service regardless if applying for the South St. Paul Loan Program or not.

Post Installation Inspection: Permits must be obtained and signed off by a City inspector where required; when not required, a post installation inspection will be performed by CEE to ensure the work has been completed before any funds will be released.

Loan Security: All loans will be secured with a mortgage in favor of the South St. Paul Economic Development Authority. Borrower will pay all applicable title and filing fees, which may be financed in the loan amount.

Borrower Fees: Borrower will be responsible for a 1% origination Fee, Document Preparation Fee, mortgage filing and service fees, flood certificate and credit report fees all which may be financed in the loan amount.

Underwriting Decision: Applicants must have acceptable credit history. CEE will approve or deny loans based on a credit report, income verification and other criteria as deemed necessary through CEE's underwriting guidelines. CEE's decision shall be final. Appeals can be made to the South St. Paul Economic Development Authority.

Work Completion: All work must be completed within 120 days of the loan closing. However, when warranted, CEE may authorize exceptions on a case-by-case basis.

General Program Conditions

Application Processing: Loans will be distributed on a first come first serve basis as borrowers qualify. **Applicants must provide a completed application package including the following in order to be considered for funding.**

- Completed and signed application form
- Proof of income
- Bids or estimates for proposed projects
- Other miscellaneous documents loan officers may require.

Contractors/Permits: Contractors must be properly licensed to work in the City of South St. Paul. Permits must be obtained when required by city ordinance.

Program Costs: Loan origination, post installation inspection and remodeling advisor visit fees ARE NOT paid out of the Program Budget. Loan program marketing efforts will be billed directly to the South St. Paul EDA and is a separate expense should the EDA choose to commission CEE for marketing support. Borrowers will pay all mortgage filing fees and related closing costs.

Disbursement Process: Payment to the contractor (or owner in sweat equity situations) will be made upon completion of work. An inspection will be performed by a City Inspector and/or CEE to verify the completion of the work. The following items must be received prior to final disbursement of funds:

- Final invoice or proposal from contractor (or materials list from supplier);
- Final inspection verification by a City Inspector (or CEE);
- Completion certificate(s) signed by borrower and contractor;
- Lien waiver for entire cost of work;
- Evidence of city permit (if required)